



WENDY L. WATANABE  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

February 3, 2014

TO: William T Fujioka  
Chief Executive Officer

FROM: Wendy L. Watanabe  
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", written over the printed name and title.

SUBJECT: **AB109 FISCAL AUDIT SCHEDULE**

On October 8, 2013, the Board of Supervisors (Board) directed that the Chief Executive Office (CEO) to report back with a recommended schedule for audits of the Public Safety Realignment Act's (AB109) expenditures. On November 27, 2013, your office reported to the Board that the Auditor-Controller (A-C) would perform a preliminary review with each participating department including Sheriff's, Probation, Mental Health (DMH), Health Services, Public Health, Fire, District Attorney, Public Defender, Alternate Public Defender, and Executive Office of the Board. The A-C will then consult with your office and the Board to develop an audit schedule of AB109 expenditures.

We completed preliminary reviews with each department, which included interviewing departmental managers and staff, and reviewing expenditure reports, a sample of claims, and supporting documentation.

### **Risk Assessment**

Based on our preliminary reviews, we developed a list of five factors to evaluate the risks associated with AB109 at each participating department. We considered (1) the amount of budgeted AB109 funding; (2) each department's methodology for tracking and reporting expenditures; (3) the type of service provided by each department related to AB109; (4) the materiality of prior audit findings; and (5) the types of AB109 related expenditures incurred by each department.

We determined that the Sheriff's, Probation, and DMH have the highest relative risk in their AB109 operations. Collectively these three departments comprise approximately \$294 million (87%) of the County's \$338 million allocation of AB109 funding for Fiscal Year (FY) 2013-14. In addition, they generally provide more critical AB109 services,

and have more material prior audit findings in payroll and procurement operations when compared to the other seven departments.

### **Schedule of Future Audits**

Considering the relative risk, we propose auditing the Sheriff's, Probation, and DMH during the first quarter of calendar year 2014. We will audit the remaining seven departments during the second quarter. In FY 2014-15, we will audit the higher-risk departments quarterly and the lower risk departments once. Specifically, we propose the following audit schedule:

#### **FY 2013-14**

##### **Higher Relative Risk Departments - January 2014 to March 2014**

- DMH
- Probation
- Sheriff's

##### **Lower Relative Risk Departments - April 2014 to June 2014**

- |                             |                   |
|-----------------------------|-------------------|
| • Alternate Public Defender | • Health Services |
| • Board of Supervisors      | • Public Defender |
| • District Attorney         | • Public Health   |
| • Fire Department           |                   |

#### **FY 2014-15**

##### **Quarterly**

- DMH
- Probation
- Sheriff's

##### **Annual**

- Alternate Public Defender
- Board of Supervisors
- District Attorney
- Fire Department
- Health Services
- Public Defender
- Public Health

Our proposed audits will include evaluating each department's quarterly expenditure reimbursement requests to ensure accuracy and completeness of claimed expenditures, and evaluating the adequacy of the internal controls in place. We will keep your office apprised of any schedule changes that may arise due to our audit

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findings, and work with your designated staff to evaluate whether to continue the reviews beyond FY 2014-15.

Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

WLW:AB:RS:MP

c: Audit Committee